



Control Number: 51871



Item Number: 11

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PROJECT NO. 51871

2021 MAR 19 PM 2:50

REVIEW OF THE ERCOT

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PUBLIC UTILITY COMMISSION

SCARCITY PRICING MECHANISM

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OF TEXAS

TEXAS SOLAR POWER ASSOCIATION'S COMMENTS

The Texas Solar Power Association (TSPA) is a statewide industry trade association that promotes the development of solar electric generation. Our member companies invest in the development of solar photovoltaic products and projects in Texas, serving customers in both wholesale and retail markets.

TSPA appreciates the opportunity to provide comment on the low system-wide offer cap (LCAP) issue and related market design issues. Texas is in an extraordinary period, and the market design must work to meet the expectations of safety and habitability of Texans while maintaining the State's ability to grow and attract more businesses and investment. This critical balance is now more apparent than ever before.

1. Should the Commission amend its rules to adjust the LCAP?

There are two specific points to make in whether there should be a change to LCAP. First, the LCAP shouldn't create a situation where prices cannot be sufficient to operate in the summer since the traditional experience of the electricity industry has been to plan for high summer loads. Generation continues to come online based on summer expectations, and if the LCAP triggers in winter, it can lead to unintended consequences, such as deferred maintenance on existing generation, seasonal mothballs, deferred investments, and lower prices for financial options. In the summer of 2021, emerging drought issues are spreading in West Texas, South Texas, and Central Texas¹. The State must be prepared for this and not create unintended consequences for spending on ongoing maintenance.

In addition, the Commission has recognized the need to address the unintended consequences resulting from the gas multiplier provision when natural gas prices are significantly above normal. We agree that addressing this scenario would prevent the need for future emergency orders as issued during Winter Storm Uri.

¹ <https://droughtmonitor.unl.edu>

2. If the Commission amends its rules to adjust the LCAP, what specific adjustments should it make?

The Commission should consider options that modify the LCAP so it doesn't disincentivize ongoing maintenance and investment that could have a reliability effect on the Summer seasons.

At this time, TSPA does not have specific recommendations for LCAP modifications. However, we recommend that the Commission consider a variety of options, such as seasonal or event-based caps, or consider a larger change to the Scarcity Pricing Mechanism that modifies the HCAP, LCAP, and objectives. For example, the LCAP could be a seasonal trigger instead of an annual one. The Australian Energy Market Operator (AEMO) also has a similar pricing mechanism called Administered Price Periods (APP) that could be explored².

Second, the Commission could consider whether or not the cost of new entry should be based on a gas peaker, or a different technology. While new natural gas capacity continues to be in the interconnection queue, it is not as prominent as other technologies, such as solar.

Finally, the Commission should adjust the gas price multiplier so that the unintended outcomes in 2021 can be avoided. This could be achieved by capping the 50x multiplier at the HCAP.

3. If the Commission amends its rules to adjust the LCAP, when should these adjustments take effect?

Failure to amend the rules will risk the deferment of maintenance on older facilities, and could cause a reliability impact this Summer. However, TSPA appreciates the Commission's concerns about changing the rules mid-year.

TSPA recommends that amendments be made this year, and take comment on whether to have them be in effect for this Summer period. However, even if no other change is made, we strongly encourage the Commission to modify the gas price multiplier to avoid the unintended consequences that occurred in February.

Respectfully submitted,



Charlie Hemmeline

Executive Director

Texas Solar Power Association

² https://www.aemo.com.au/-/media/Files/Electricity/NEM/Security_and_Reliability/Dispatch/Policy_and_Process/Operation-of-the-administered-price-provisions-in-the-national-electricity-market.pdf